TESTIMONY BEFORE THE SENATE ENERGY AND NATURAL RESOURCES COMMITTEE

ADVANCED BIOFUELS COALITION
MICHAEL J. MCADAMS, EXECUTIVE DIRECTOR

FEBURARY 7, 2008

THE EFFECT ON ENERGY MARKETS OF THE RENEWABLE-FUEL-STANDARD ENACTED AS PART OF THE ENERGY INDEPENCE AND SECURITY ACT OF 2007 (PL-110-140)

Mr. Chairman, Ranking Member, and members of the Committee, my name is Michael McAdams, and I am testifying on behalf of the Advanced Biofuels Coalition.

It is a great privilege and responsibility to appear before you today to discuss last year's legislative accomplishment and the impacts in the area of renewable fuels and their markets. In a world were every molecule counts you should be commended for your bipartisan effort to initiate an enhanced Renewable Fuels program in this Committee. The leadership that this Committee demonstrated is one which our coalition supported from the beginning and continues to support moving forward.

I want to also applaud the efforts of first generation renewable fuels producers, both ethanol and biodiesel, for their market accomplishments, as well as the efforts of the refining industry, which has made significant investments to make more environmentally friendly fuels we use today and which my members will blend with in the future. This needs to be an effort of partnership with a goal of meeting America's growing energy demands. As Secretary Karsner previously testified before this Committee it is a matter of "silver buckshot not a silver bullet".

The Advanced Biofuels Coalition is a group of companies whose second generation technologies hold great promise to deliver significant quantities of high quality, renewable fuels. Our core policy goals focus on technology neutrality, feedstock neutrality and subsidy parity.

The “theme every molecule counts” is a good starting place to describe what is occurring in the biofuels marketplace. Our coalition represents many of the various types, which are defined as advanced biofuels under the new law. Most of the companies will make molecules which can be used in heating oil, diesel, jet fuels or gasoline. Some make a molecule which could be utilized in the refining process and made into a fuel product. Many of the ABC companies are striving to produce a molecule that can and will be blended with today’s fuels and would be totally fungible in today’s engines and pipelines. These molecules vary chemically and have different characteristics from first generation fuels. They are not ethanol or biodiesel. The legislation signed into law recognized this in many of the specific definitions.

We have three biotech members who would be able to utilize sugars to make fungible renewable fuel products. Another company would use a thermal chemical process that converts sugar into renewable fuels. Still other companies can use a range of food oils, animal fats or biomass utilizing Fischer-Tropsch, hydro-treating, cellulosic, or bioemulsion processes to produce diesel or jet fuels.

Utilizing America's vast cellulosic resource from agricultural waste to sustainable forest biomass many of these technologies either directly or in partnership can produce superior performance and fungible fuels. Several of the biotechnology process companies are working on a solution which could be utilized in existing ethanol facilities to make diesel or jet fuel. Others could partner with enzymatic cellulosic companies in a second phase of the process of taking the sugars to a range of products.

I have provided several slides in the appendix to my testimony. The first slide describes the size and shape of the new RFS program with each of its various volume requirements by technology type. As you can see the RFS program creates multiple fuel types and assigns volumes. One of the key objectives for our Coalition is the ability to contribute to the overall 36 billion gallon mandate set for 2022. As currently designated in the legislation some ABC companies would be included in the advanced biofuels pool which allocates 4 billion gallons, or the biomass diesel pool of 1 billion gallons. Others would participate in the cellulosic pool of 16 billion gallons.

In the event certain technologies as allocated under the RFS fall short we would argue that other technologies be allowed to help meet the overall 36 billion gallon mandate. This clarity and neutrality will help these companies move forward and compete in the investment and capital funding market place to build their plants.

The new law calls for specific life cycle reductions for each of the various types of fuels. We would urge that the EPA be very deliberate and provide flexibility in order to meet

these requirements. Given the current state of disagreement about life cycle models and components EPA needs to provide clarity and consistency over what models will be used to evaluate the performance of all renewable fuels. We would suggest that additional credit be given to those fuels which exceed the requirements. In a worst case scenario, a bright line standard may exclude a number of renewable fuels from the market place making it more difficult to reach the volume levels desired.

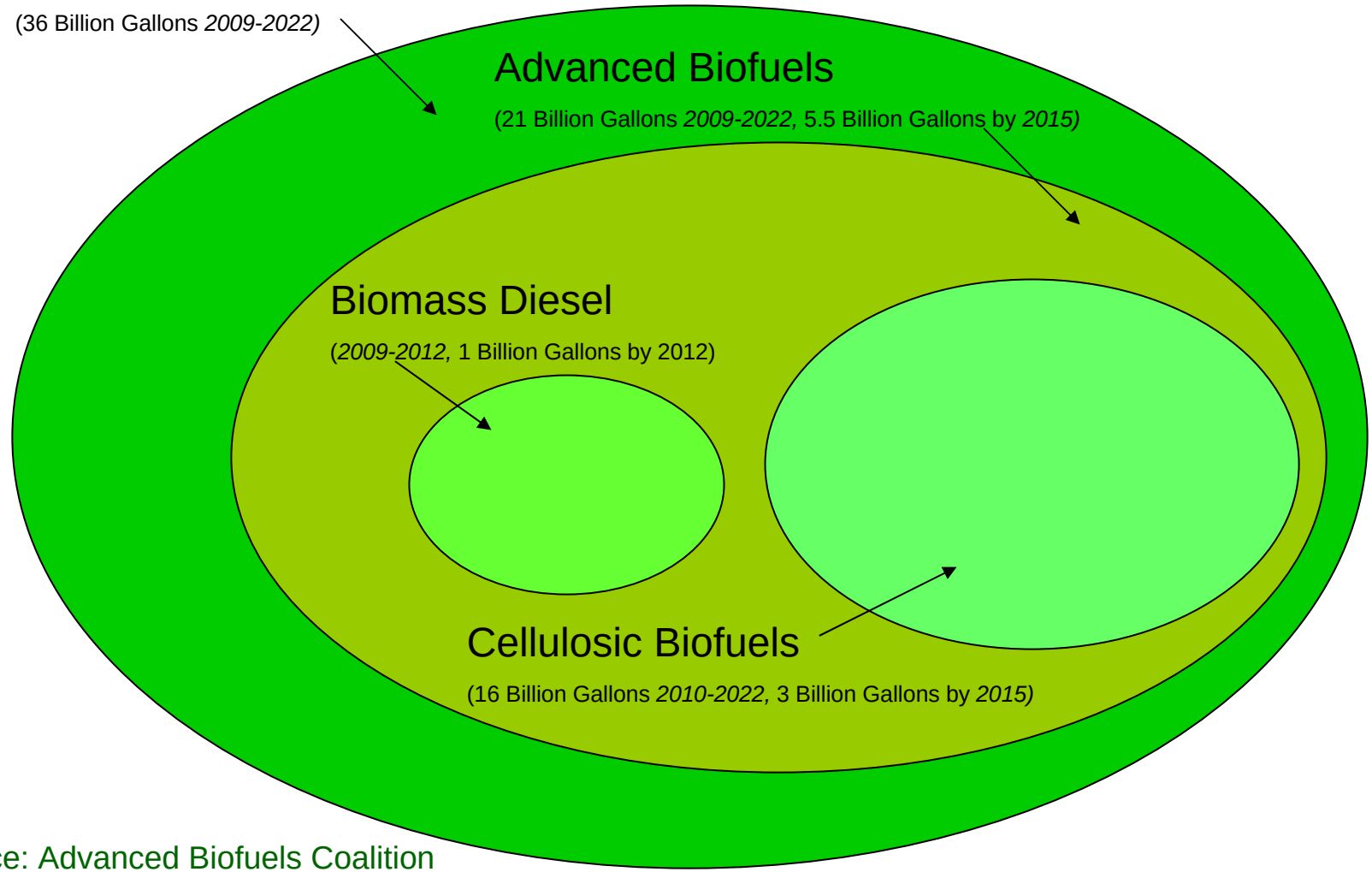
The new law provided a strong signal to markets around the world that America is serious about our mission to bring renewable fuels content into our market. But many questions remain about just how these provisions will be implemented.

We urge the Senate to continue to promote tax, feedstock and technology neutrality in pursuit of this ambitious and important national policy. Thank you for the opportunity to testify before you today and I look forward to answering any questions.

New Renewable Fuel Law

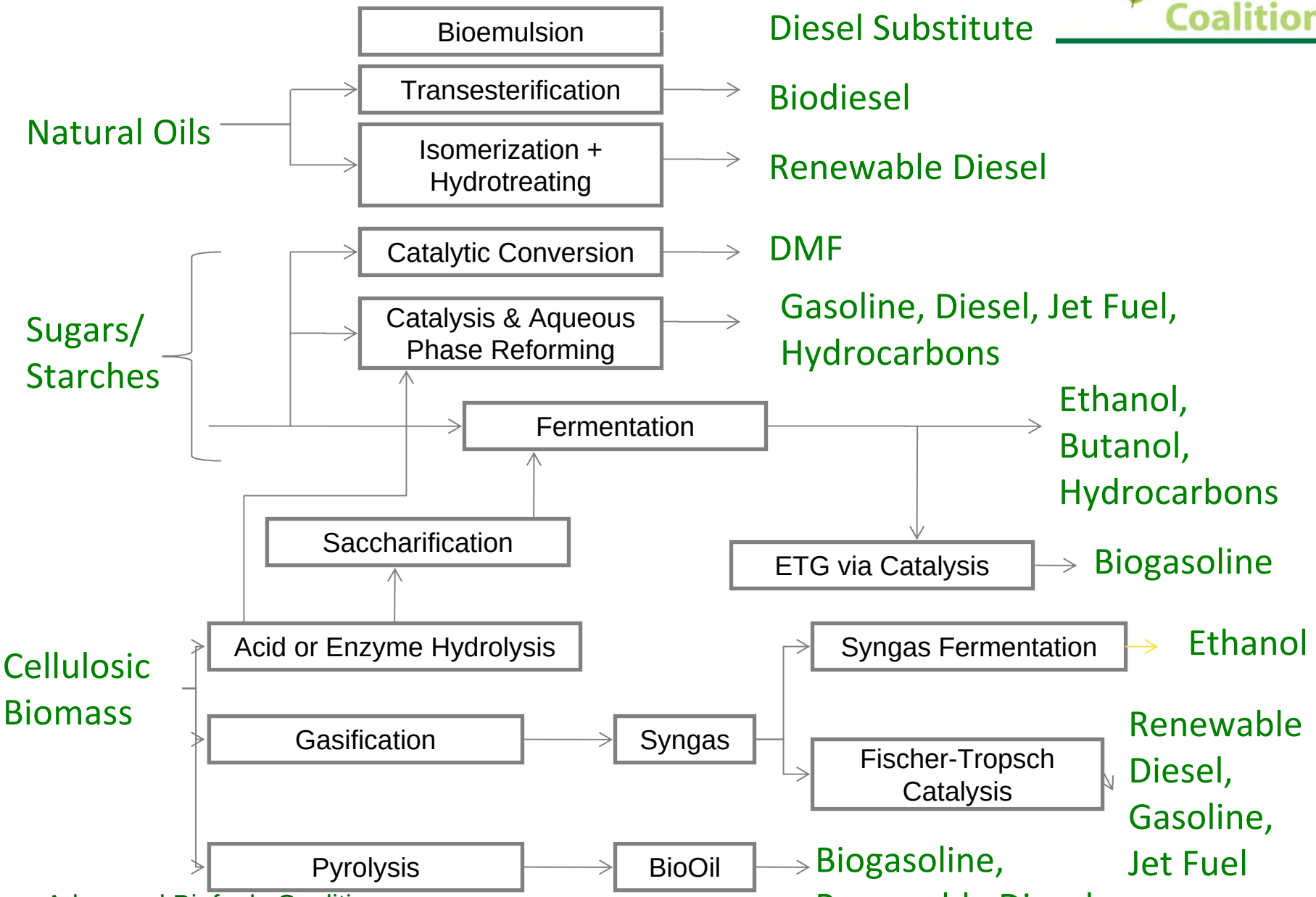
The Renewable Fuel Standard

(36 Billion Gallons *2009-2022)*



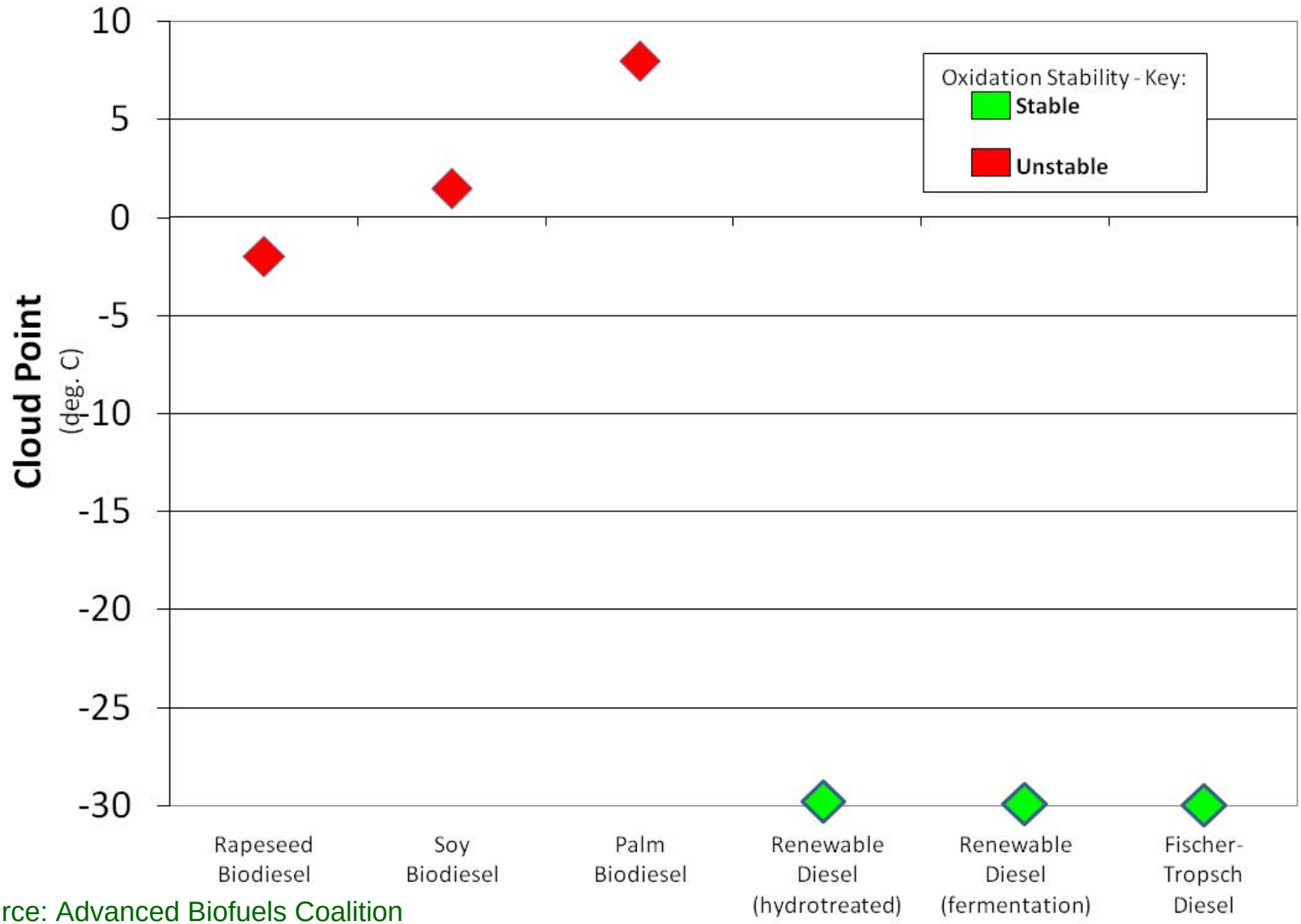
Source: Advanced Biofuels Coalition

Pathways to Renewable Fuels



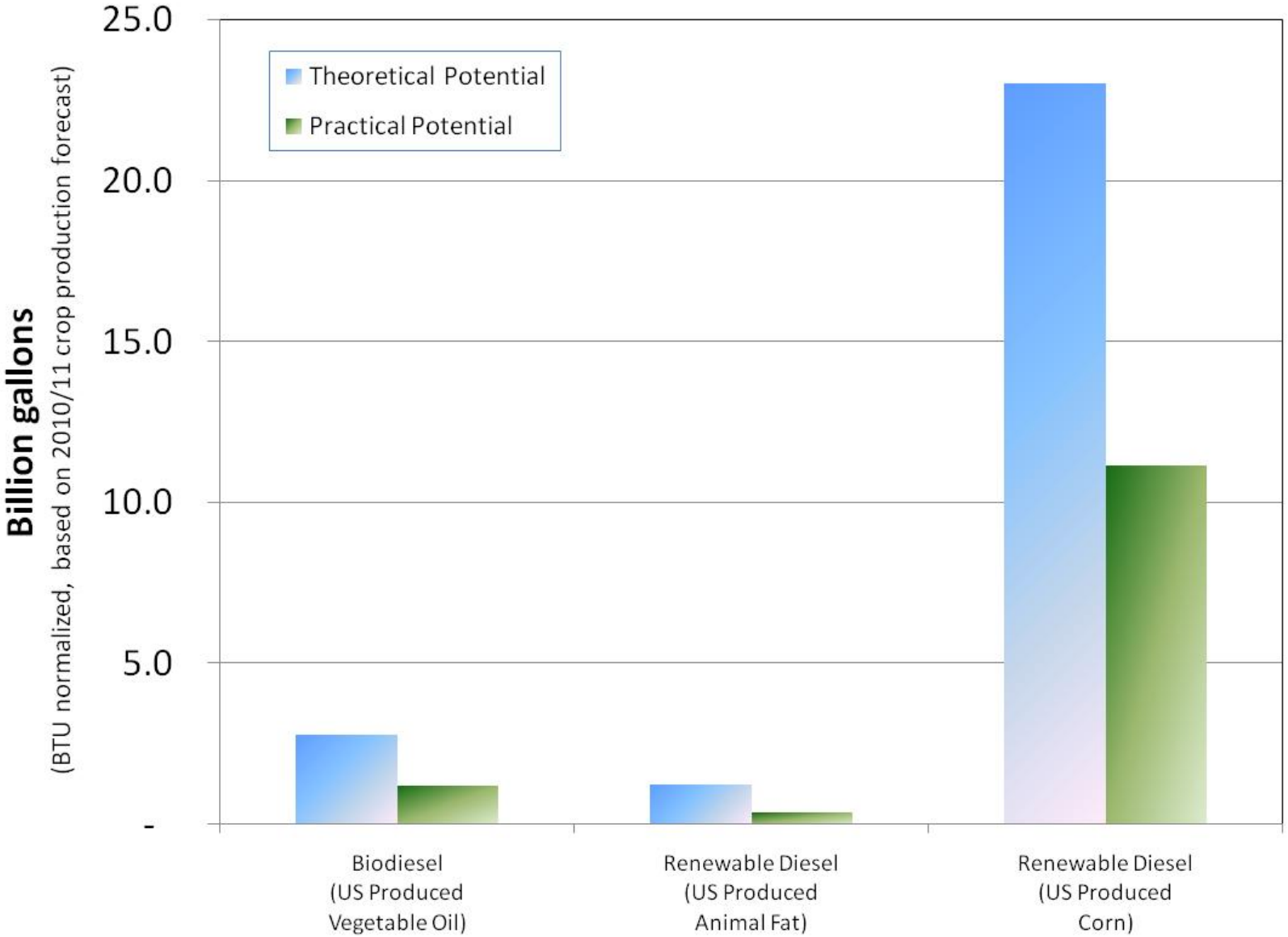
Source: Advanced Biofuels Coalition

Next Generation Technologies Result In Improved Product Attributes (**Diesel – Cold Flow & Stability)**



Source: Advanced Biofuels Coalition

Next Generation Technologies Bring Increased Volume Potential



Source: Advanced Biofuels Coalition